

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 7779

BILL NUMBER: HB 1983

NOTE PREPARED: Jan 12, 2003

BILL AMENDED:

SUBJECT: Public financing of political campaigns.

FIRST AUTHOR: Rep. Orentlicher

BILL STATUS: As Introduced

FIRST SPONSOR:

FUNDS AFFECTED: ☒ **GENERAL**
☒ **DEDICATED**
FEDERAL

IMPACT: State

STATE IMPACT	FY 2003	FY 2004	FY 2005
State Revenues			
State Expenditures		5,250,000	5,250,000
Net Increase (Decrease)		(5,250,000)	(5,250,000)

Summary of Legislation: (A) The bill establishes a system of public funding for candidates for Governor and the General Assembly who agree to limit contributions from private sources and expenditures to the public funds allocated.

(B) The bill establishes the Public Election Campaign Fund (the Fund) to finance the election campaigns of participating candidates.

(C) The bill makes an annual appropriation of \$5.25 million from the state General Fund to the Fund.

(D) The bill establishes a voluntary program under which individuals may designate \$2 to the Fund from the state General Fund on their Indiana income tax returns.

(E) The bill provides that money now paid to political committees from personal license plate fees be deposited in the Fund.

(F) The bill provides for civil remedies and for imposition of civil and criminal penalties for violations of the campaign finance law.

(G) The bill prohibits an individual who holds a state or a legislative office from making certain mailings with public funds unless the individual has stated publicly that the individual would not seek reelection or election to certain other offices.

Effective Date: July 1, 2003.

Explanation of State Expenditures: (A) This bill establishes a system of public funding for qualified candidates for Governor who agree to limit contributions from private sources and expenditures to the public funds allocated. The Election Division, Office of the Secretary of State, is responsible for administering the system which includes, but is not limited to: (1) administering the Public Election Campaign Fund; (2) issuance of public election debit cards; (3) issuance of warrants for petty cash; (4) conducting random audits of candidates to ensure compliance with the provisions of this bill; and (5) adjusting expenditures for inflation. All cost incurred to administer and enforce the provisions of this bill are to be paid from the Public Election Campaign Fund.

(C) This bill makes an annual appropriation of \$5.25 M from the state General Fund to the Public Election Campaign Fund. The first appropriation would be made in FY 2004. The bill would allow an expenditure limit of 75% of the average contested primary and election expenditures over the two most recent general elections. As an example: the average expenditure for between the two major party candidates for Governor in 2000 for the 2000 general election (including CFA 4 pre-election and supplemental reports) was \$7.4 M.

(D) The Department of State Revenue would have some additional administrative expenses associated with revising the tax forms, instructions, and computer programs to accommodate the new check-off. These costs would be absorbable in the Department's current budget.

(F) The Indiana Election Commission (IEC) would be responsible for adopting rules, prescribing reporting forms, and imposing civil penalties when determined that a candidate has violated the provisions of this bill. The IEC is to refer possible criminal violations to the Attorney General. The Attorney General has all the powers of a prosecuting attorney. All investigative and enforcement costs are to be paid from the Public Election Campaign Fund.

Explanation of State Revenues: (A) & (G) Currently, the IEC is allowed to assess civil penalties. This bill adds a number of provisions for which civil penalties can be assessed. In FY 2002 the IEC collected \$6,105 in civil penalties. The penalties are deposited in the Campaign Finance Enforcement Account. Under this bill, all civil penalties, including the new ones created in this bill, are to be deposited in the Public Election Campaign Fund.

(B) This bill establishes the Public Election Campaign Fund to finance the election campaigns of participating candidates. The purpose of the fund is to: (1) provide public financing for the election campaigns of certified participating candidates during primary and general campaign periods; and (2) pay the administrative and enforcement costs related to implementing the provisions of this bill.

The Public Election Campaign Fund consists of: (1) annual appropriations from the state General Fund; (2) money transferred from the state General Fund through an individual income tax check-off; (3) certain contributions and funds required to be paid by participating candidates; (4) civil penalties imposed by the

IEC under Indiana election law; (5) voluntary contributions; (6) interest earned on money in the Fund; (7) money transferred from the sale of personal license plates. The Treasurer of State is required to invest the money in the Fund not currently needed to meet the obligations of the Fund. As the \$5.25 M appropriation is made annually and a State election (both primary and general) would occur every two years, there could be interest earnings on the annual appropriation. Money in the Fund at the end of the state fiscal year does not revert to the state General Fund. Money in the fund is appropriated for the purposes specified in the bill.

(C) As stated above, this bill makes an annual appropriation of \$5.25 M from the state General Fund to the Public Election Campaign Fund. The first appropriation would be made in FY 2004.

(D) Portions of the money for the Fund would be attributed to campaign fund donations from a resident taxpayer's income tax refund. The bill contains a provision for a campaign fund donation for those resident individuals who do not receive an income tax refund. A resident taxpayer would be able to designate \$2 of their income tax refund (a husband and wife may jointly direct a single donation of \$2 to the Fund or direct a donation of \$2 each to the Fund on a joint form) to be deposited in the Fund.

It is difficult to estimate how many individuals who have refunds would select this check-off. According to the Department of Revenue, the Indiana Nongame and Endangered Wildlife fund check-off generated **\$358,182** from **31,475** tax returns in **2000**. The additional check-off could reduce the amount that is checked off by taxpayers for the Nongame Fund. The bill requires the Department of Revenue to report the total amount of donations to the Auditor of State who is to transfer the amount from the state General Fund to the Public Election Campaign Fund.

This new check-off applies to income tax returns filed after December 31, 2003. The first revenue the Fund would receive from the check-off would be in FY 2004.

(E) Under current law, fees charged for personal license plates (PLP) are deposited monthly by the Auditor of State into a special account which is then distributed to political parties that meet certain qualifications. Approximately \$1.7 M was collected from the sale of PLPs in CY 2002 that would have been eligible for disbursement purposes stated above. Under the bill, the proceeds of sale of PLPs not transferred to the Motor Vehicle Highway Account (first \$7 of an application for a PLP) would be transferred to the Public Election Campaign Fund.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Office of the Secretary of State, Indiana Election Commission, Indiana Election Division; Office of the Attorney General; Auditor of State; Treasurer of State; Department of State Revenue.

Local Agencies Affected:

Information Sources: Department of State Revenue, Individual Income Tax Statistics; Indiana Election Division; Bureau of Motor Vehicles.

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